

2006-2007 PERFORMANCE PLAN – PORTFOLIO MANAGER, CORPORATE GOVERNANCE (Sherwood-McGrew)

Quantitative Performance Measures

Weight	Factor	Performance Measure	Incentive Schedule
30%	Corporate Governance External Funds Performance	Excess return of CalPERS' external corporate governance managers under the oversight of the PM relative to their respective benchmarks. Governance funds asset weighted by invested capital. (SN6KA1 vs. CPERSEC2)	> +75 basis points = 0 > +175 basis points = 1.0 > +275 basis points = 1.5
15%	Global Equity Performance	Excess return in basis points relative to global equity performance benchmark. (GLOBLIC vs. CPERSGE2)	> -50 basis points = 0 > -10 basis points = 1.0 > +15 basis points = 1.5
12%	Corporate Governance Internal Active Strategy Performance	Excess return (On an Annualized Basis) of CalPERS' corporate governance internal active strategy, compared to custom benchmark. (SW8B vs. Y082): Internal Relational Portfolio compared to custom benchmark, Wilshire 2500 Ex Tobacco (9%) (SWCV vs. QS3D): Knight Vinke Internal Partner compared to custom benchmark, FTSE All World Europe (3%)	> 0 basis points = 0 > +100 basis points = 1.0 > +200 basis points = 1.5
8%	Focus List Performance	Excess annualized return of 3 year Focus List Program (Focus & Monitoring List) portfolio companies to a custom S&P Peer Industry relative benchmark. Measures return performance of the 2004, 2005, and 2006 Focus & Monitoring List Companies up through June 30, 2007.	> 0 basis points = 0 > +200 basis points = 1.0 > +400 basis points = 1.5
65%	Subtotal	Quantitative Measures	

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Qualitative Performance Measures

Weight	Factor	Performance Measure	Incentive Schedule
15%	Leadership	Demonstrate leadership within CalPERS and in the external investment community. Dimensions include leadership: <ul style="list-style-type: none"> • Within Investment Group • Trustees • CalPERS • External Investment Community 	From Schedule
5%	Corporate Governance Core Principles & Guidelines	Identify and implement opportunities to enhance CalPERS' Corporate Governance Core Principles & Guidelines (P&Gs), as follows: (10%) Present revised policy document for P&Gs to Internal Working Group by December 29, 2006. (10%) Present revised CalPERS P&Gs to Internal Working Group by December 29, 2006.	From Schedule
5%	Corporate Governance Focus List Program	Prepare engagement analysis of 2006-2007 Preliminary Focus List consistent with Corporate Governance Core Principles & Guidelines by November 30, 2006.	From Schedule
5%	Corporate Governance Active Strategy Investment Opportunities	Contribute to the sourcing of potential Corporate Governance Active Strategy investment opportunities by evaluating at least 2 new Corporate Governance active strategies by June 30, 2007.	From Schedule
5%	New Corporate Governance Initiatives	Execute strategy to improve corporate governance practices at companies conducting initial public offerings by June 30, 2007.	From Schedule
35%	Subtotal	Qualitative Measures	
100%	Total	Quantitative & Qualitative Measures	

Supervisor's Approval: Original signed by Russell Read

Date: August 1, 2006